

Message Text

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ACTION EB-11

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FM AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: EAIR, UK

SUBJ: CIVAIR - FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN
AIRLINES

REF: (A) STATE 162608; (B) LONDON 4958

1. FOLLOWING RESPONSES ARE KEYED TO QUESTIONS REF (A)

PARA (1), (A) THROUGH (K):

A. REPORTED REF (B).

B. BRITISH AIRWAYS HAS ACCESS TO DIRECT UK GOVERNMENT
LOANS UNDER THE TERMS OF THE NATIONAL LOANS FUND ACT
OF 1968. SUCH LOANS ARE PROVIDED AT THE LOWEST INTEREST
RATE AT WHICH THE UK TREASURY CAN ITSELF OBTAIN FUNDS
AND, AT SUCH RATES, COULD PROVIDE A SUBSIDY TO THE
TO THE CARRIER SINCE IT WOULD PROBABLY HAVE TO PAY
HIGHER COMMERCIAL RATES. HOWEVER, LAST BORROWING UNDER
THE 1968 ACT TOOK PLACE IN 1971/72 FINANCIAL YEAR. SINCE
THEN BA HAS BORROWED EXTERNALLY (WE ASSUME ON THE EURO-
DOLLAR MARKET). THIS IN KEEPING WITH UK POLICY THAT STATE
RUN INDUSTRIES WHICH ARE IN A FINANCIAL POSITION TO DO
SO SHOULD OBTAIN LOANS OUTSIDE THE UK TO AID CURRENT
ACCOUNT BALANCE BY INFLOW OF FOREIGN CAPITAL. PRO-
JECTIONS OF NATIONAL LOAN FUND FOR NEXT FINANCIAL
YEAR ('74/'75) INDICATE BA INTENDS TO CONTINUE USING

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EURO-DOLLAR FUNDS.

COMMENT: WHILE BA HAS ACCESS TO UK GOVERNMENT LOANS AT FAVORABLE, BELOW MARKET INTEREST RATES THROUGH THE NATIONAL LOAN FUND ACT, UK DOES NOT APPEAR TO BE MAKING USE OF THIS TOOL TO SUBSIDIZE THE CARRIER.

C. ONLY UK GOVERNMENT GUARANTEE ARRANGEMENTS FOR LOANS OF BRITISH AIRWAYS IS THAT AVAILABLE TO GUARANTEE EXCHANGE RATE FOR BA WHEN FOREIGN FUNDS ARE BORROWED IN DOLLARS. SUCH EXCHANGE RATE GUARANTEE WOULD NOT APPEAR TO SUBSIDIZE OPERATIONS OF THE UK CARRIER.

D. NOT APPLICABLE.

E. NOT APPLICABLE.

F. MAIL RATES: UK FOLLOWS ABOUT SAME PRACTICE AS US RE INTERNATIONAL MAIL RATES. RATES FOR UK ORIGIN MAIL ARE ESTABLISHED IN NEGOTIATION BETWEEN UK CARRIERS AND POST OFFICE AND, WE ARE INFORMED, ARE LOWER THAN UPU ESTABLISHED SCALES. WHEN UK ORIGIN MAIL IS PLACED ON US OR OTHER FOREIGN CARRIER, UPU RATES ARE PAID. WHERE POSSIBLE, UK ORIGIN MAIL IS DIRECTED TO UK CARRIERS AS BEING MOST ADVANTAGEOUS TO POST OFFICE DUE TO LOWER RATES.

G. MILITARY CARGO RATES: UK DIRECTS MILITARY AIR CARGOES TO NATIONAL CARRIERS AS MOST GOVERNMENTS DO. IN CASE OF CHARTERS, RATES ARE NEGOTIATED AS IN THE US; ON SCHEDULED CARRIERS, MILITARY CARGOES ARE CARRIED AT IATA OR LOWER NEGOTIATED, CONTRACT RATES. CONTRACT RATES ARE NOT PUBLISHED.

COMMENT: IN REGARD TO MAIL AND MILITARY CARGO RATES, WE HAVE NO INDICATION THAT UK PAYS HIGHER THAN NORMAL RATE LEVELS TO UK CARRIERS AS A MEANS OF SUBSIDY. BOTH MAIL AND MILITARY CARGO ARE DIRECTED TO NATIONAL CARRIERS ON THE BASIS THAT THE SHIPPER (THE UK GOVERNMENT) HAS THE RIGHT TO SELECT THE CARRIER.

H. NOT APPLICABLE.

I. NOT APPLICABLE.

J. NOT APPLICABLE.

K. SEE REF (B).

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